



A Joint Venture of Enbridge and Pembina

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Sent via Email

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Ms. Rumu Sen
Supply Analyst, Regulatory Policy
Canada Energy Regulator
Suite 210, 517 10th Avenue SW
Calgary, Alberta, T2R 0A8

**Re: Canada Energy Regulator – Cost Recovery Proposal
Comments of Alliance Pipeline**

Dear Ms. Sen

On November 1, 2021 the Canada Energy Regulator (“CER” or “Commission”) released a regulatory proposal seeking feedback on proposed amendments for the cost recovery regulations under the *Canadian Energy Regulator Act* (CER Act). Alliance Pipeline Ltd., as general partner for and on behalf of Alliance Pipeline Limited Partnership (“Alliance”) hereby provides the following comments for the Commission’s consideration.

A. Recovering costs directly from project applicants who are not currently regulated by the CER and for project applications that are denied or withdrawn

Alliance supports the Commission’s proposal to extend its well-established greenfield levy to now encompass not only those projects that are approved, but also those withdrawn or denied, thus implementing cost recovery measures contemplated under Section 87 of the CER Act

B. Modernizing the fixed levies recovered from small and intermediate companies

Alliance is generally supportive of the Commission’s efforts to establish a more equitable allocation of cost recovery amongst all the companies that it regulates and does not oppose its proposal to allocate cost recovery across all companies using throughput as the core allocative factor.

C. Relief

While the Commission’s proposal indicates that the relief process would remain the same, except for changes in eligibility and criteria, it does not explicitly state how the amounts eligible for relief would be re-allocated amongst other companies. Alliance requests clarification as to whether the total amount of relief obtained by companies within a commodity pool would be re-allocated to all companies within that same commodity pool that did not obtain relief, and that the re-allocation would be based on the aggregate of throughput of the companies that did not obtain relief?

Furthermore, to the extent that the relief re-allocation process subsequently caused one or more companies to exceed its own specific cost recovery threshold, which would not be a known event until after the 30-day relief window had already closed, is it the Commission’s intent to make further relief adjustments through an iterative and repetitive mechanism, or would any additional relief adjustments instead be captured within the three-year true-up cycle? In the spirit of “operational simplicity, predictability and certainty” Alliance would suggest that the Commission consider adopting a one-step process in which it would first collect all the required data (throughput, rate base, distance, etc.) and then calculate the corresponding allocation of cost recovery for each company, incorporating all allocative and relief factors in one instance.

In regard to the Commission’s proposal to adopt rate base as the parameter to be used in determining relief, Alliance questions whether some form of a minimum threshold should be applied? While a pipeline’s revenue (and by implication its cost-of-service) would generally trend up or down with throughput (the CER’s core allocative factor), rate base may at times become disconnected. Surely a fully depreciated pipeline that is still flowing, generating revenue, and requiring regulatory oversight, would not be expected to be allocated zero cost recovery?

D. Cost recovery allocation and methodology approach

Alliance supports the Commission’s proposal to continue to allocate costs to commodity categories on the basis of time spent by the CER on each commodity, and that within each commodity group, costs be allocated amongst companies as proposed.

Closing Remarks

Alliance would note that the lack of available individual company data, and the uncertainty associated with how the granting of relief would be re-allocated, makes it extremely difficult to quantify the expected dollar impact that the CER’s proposal would



have on the various regulated entities, and thus difficult to assess whether it would achieve fair and equitable cost allocation. It would be beneficial to all if the Commission were to continue its analysis, including the collection of additional required data, and go beyond simply providing the initial 2021 projected estimated levies for each company, and provide an assessment of what those levies might be after the provision of any relief has been re-allocated.

In closing, Alliance wishes to thank the Commission for the opportunity to provide these comments. Please contact the undersigned if you have any questions.

Sincerely,